

Regulatory Comments

From: christian leffler <no-reply@cuanswers.com>
Sent: Friday, February 27, 2015 6:00 PM
To: _Regulatory Comments
Subject: Risk-Based Capital Comment

To: Regulatory Comments
From: christian leffler
CU*Northwest

02/27/2015

Dear Mr. Poliquin:

History has shown that the cooperative model of credit unions is a successful one. The diverse nature of our charters has meant that despite little capital—except member good will and loyalty—the forefathers and current stakeholders of the industry have built the second largest financial system in America today, serving close to 40 million households with savings of nearly \$1 trillion. The proposed rule will serve to hinder that diversity by placing credit unions into more general categories. Protect the true nature of credit unions by ending this rule so we can celebrate the charters that made this industry possible, from the \$60 billion Navy FCU to any of the \$1-5 million “family” credit unions. From the farming communities of South Dakota serving family farms with loans to the taxi drivers from NYC to San Francisco. From the raw recruit in San Diego to the forward deployed military professional in Diego Garcia, Korea, or Afghanistan. From the auto worker in Detroit or Tennessee to the high tech communities of Silicon Valley.

I believe the revised RBC rule penalizes credit unions for specific activities such as real estate lending, member business lending, and credit unions chartered to assist the un-bankable by placing a capital tax on the resulting assets of low income or poor credit lending. We believe the end result will be thousands of homogenous balance sheets in 2025 that you can easily understand from a supervisory perspective. However, this current risk posture of the NCUA cannot fail but to lead credit unions to shy away from diversity or cooperative reason for the charter and field of membership. The end result of this rule will ultimately force credit unions into potential areas of investment and lending that the credit union lacks experience with or create industry wide concentrations that could be impacted by similar economic variables. In and of itself, this rule creates more risk than it proposes to control.

The NCUA and the credit union industry would both be served better if the formulas and risk weights within RBC were not given the force of law. Do not force my credit union to institute changes both potentially drastic and unwarranted in our balance sheet to meet these arbitrary weights.

Our credit union believes the RBC2 rule would undermine the cooperative and diverse nature of our charters by creating a one size fits all over-reaching capital formula. This is a massive flaw of the NCUA’s structure as regulator and insurer. We believe this is a myopic view of cooperatives and only considers our equity funding mechanism. A cooperative is a like group of individuals banding together to own a business that is guaranteed to meet their similar financial needs. The arguments and logic of the rule misapplies what is done successfully at a local or institutional level, to an entire system. Because of this I would respectfully recommend the rule be thrown out and at best become a matrix the NCUA would use in the exam process only.

We must stop the debate about the nuances of the rule and convince the NCUA, after outlining the substantial

objections, that the modeling approach needs to be tested and tried in the examination process as a tool and then the results shared with the industry before suggesting that a model be embedded in a law.

A handwritten signature in black ink, appearing to be 'Christian Leffler', written in a cursive style.

christian leffler
CU*Northwest